

IN THE CHANCERY COURT FOR LEWIS COUNTY
AT HOHENWALD, TENNESSEE

IN RE:

SENTINEL TRUST COMPANY

No. 4781

**COMMISSIONER-IN-POSSESSION'S PETITION FOR APPROVAL OF
AUGUST BOND PAYMENTS**

The Commissioner of the Tennessee Department of Financial Institutions, as Commissioner-in-possession of Sentinel Trust Company ("Sentinel"), by and through his counsel of record, the Attorney General and Reporter, hereby petitions this Court for approval of payment of the August 1, 2004 interest and/or principal payments as set forth herein.

1. Sentinel Trust Company ("Sentinel") is a Tennessee corporation, located in Hohenwald, Lewis County, Tennessee, engaged in fiduciary activities and subject to regulation by the Commissioner under the Tennessee Banking Act pursuant to Tenn. Code Ann. § 45-1-124.

2. On May 18, 2004, the Commissioner of the Tennessee Department of Financial Institutions ("Commissioner") took emergency possession of Sentinel pursuant to Tenn. Code Ann. §§ 45-2-1502(b)(2) and (c)(1). Subsequently, on June 18, 2004, the Commissioner issued a Notice of Liquidation of Sentinel Trust Company in accordance with the provisions of Tenn. Code Ann. §§ 45-2-1502(c)(2) and 1504.

3. Tenn. Code Ann. § 45-2-1504(a)(3) provides that

[i]n liquidating a state bank, the commissioner may exercise any power of the office of commissioner, but shall not, without the

approval of the court, in which notice of possession has been filed;
... [m]ake any payment on any claim, other than a claim upon an
obligation incurred by the commissioner, before preparing and
filing a schedule of the commissioner's determinations in
accordance with this chapter.

4. Sentinel Trust serves as the registrar and paying and /or escrow agent on approximately 99 municipal bond issues. Eight of these bond issues have interest and/or principal payments due August 1, 2004. The Commissioner has determined that the entirety of the funding necessary for the August 1 payments is still due from the issuers.¹ Assuming that these monies are timely received, then the Commissioner will be able to make the August 1 payments for these municipal bond issues in full without having to use any funds from the pooled fiduciary account.

5. As such, pursuant to Tenn. Code Ann. § 45-2-1504(a)(3), the Commissioner hereby requests this Court's approval to pay the August 1, 2004 payment on these bond issues, as such payments will not require the use of any of the funds in the pooled fiduciary account.

6. Sentinel Trust also serves as the Indenture Trustee on a number of "corporate" bonds. Five of these bond issues have interest payments due on August 1, 2004. Sentinel's records reflect, as set forth in the attached schedule, that while some funds may still be due from these issuers, all five bond issues should have had additional funds on deposit with Sentinel so as to be able to make their August 1 interest payment in full.² These funds are not available, however, due to the \$7.6 - \$8.4 million shortfall in the pooled fiduciary account resulting from Sentinel's practice of "borrowing" from that account. In the event that the any of the issuers

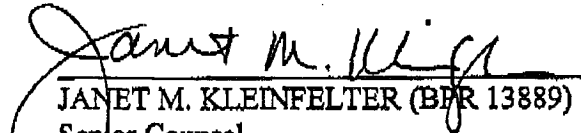
¹See Schedule of August 1, 2004 bond payments attached hereto and incorporated herein by this reference.

²*Id.*

sends in part or all of the monies for the August 1 payments, the Commissioner requests this Court's approval to pay the August 1, 2004 payments on these bond issues, but only to the extent of the funds received from the issuers.

Respectfully submitted,

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Attorney General and Reporter


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**THIS MOTION IS SET TO BE HEARD ON THE COURT'S REGULAR
MOTION DOCKET ON MONDAY, JULY 12, 2004 AT 9:00 A.M. IN HOHENWALD,
LEWIS COUNTY, TENNESSEE.**

BOND ISSUES DUE FOR AN AUGUST 1, 2004 PRINCIPAL AND/OR INTEREST PAYMENT

Number of Issues	Bond #	Account Balance as of 5-18-2004	Issuer	Next Period Due	Amount	Next Interest Due	Amount	Total Due	Source of Funds
Corporate Issues									
1	108	142,196.60 33,021.95 14,878.20	Gale Co, OH A & B Bond Fund Gale Co, OH Wing Cap Fd Gale Co, OH Mgmt. Repd	8/1/2004	60,000.00	8/1/2004	177,737.00	237,737.01	debtor is to provide all funds or a partial payment on interest
2	15	389.85 151,381.23	Highlands Co, FL Bond Fund Highlands Co, FL DSR Fund	2/1/2005		8/1/2004	184,900.00	184,900.00	debtor is to provide all funds or a partial payment on interest
3	77	67,328.85 78,164.82 62,240.70	Madison Co, OH Series 87 Bond Madison Co, OH Series 87 wing cap Madison Co Maitrepepe Fd	2/1/2005		8/1/2004	108,031.25	108,032.25	debtor is to provide all funds or a partial payment on interest
4	208	98,400.62 193,650.52 133,300.88	Marlison Co OH Series 02 Bond Marlison Co OH Series 02 DSR Marlison Co OH Wing Cap Res Fd 02	2/1/2005		8/1/2004	166,281.25	166,281.25	debtor is to provide all funds or a partial payment on interest
5	37	237,124.03 119,479.88	Newton Co GA Series 88 Bond Fd (a) Newton Co GA Series 88 DSR Fd	8/1/2004	130,200.00	8/1/2004	227,325.00	357,325.00	debtor is to provide all funds
6	82	230,807.82 312,668.04 22.68 42,788.67	New Jersey Arcadia A/B & C Bond Fd (b) New Jersey Arcadia A/B & C DSR Fd New Jersey Arcadia A/B & C Org Res Fd New Jersey A/B & C Arcadia Cap & Mgmt	8/1/2004	110,000.00	8/1/2004	286,203.13	426,203.13	debtor is to provide all funds or a partial payment on interest
7		588,388.11	T.R.P/A						
(b) Payments are being made for Series A and B only of the issues at this time.									
8		1,781,905.89	TOTAL		380,000.00		4,134,677.83	1,454,478.84	TOTAL DUE

0.00 Funds to be requested from SunTrust Pooled Indenture account to make debt service due August 1, 2004.
0.00 Funds from maturity of Indenture assets to pay Municipal debt service due August 1, 2004.
1,454,478.84 Balances Due from Debtor to pay August 1, 2004 debt service.
1,454,478.84 TOTAL DUE TO BE PAID AUGUST 1, 2004 FOR CORPORATE ISSUES.

BOND ISSUES DUE FOR AN AUGUST 1, 2004 PRINCIPAL AND/OR INTEREST PAYMENT

Number of Issues	Bond #	Account, Balance as of 6-18-2004	Source of funding
Municipal Issues*			
1	22	28.36	Bedford Co TN
		R,P/A	8/1/2004
		28,000.00	8/1/2004
		3,298.75	38,298.75
			28.66 from pooled fund balance from Municipality
2	10	-625.84	Brighton TN
		R,P/A	8/1/2004
		65,000.00	8/1/2004
		10,528.75	65,528.75
			Municipality
3	199	0.00	First Liberty District of Tipton Co
		R,P/A	8/1/2004
		100,000.00	8/1/2004
		47,761.88	147,761.88
			Municipality
4	233	-678.08	City of Hornshead Series 2004 GO
		R,P/A	2/1/2005
			8/1/2004
		18,167.50	18,167.50
			Municipality
5	213	0.00	Lawrence County TN 3.04% (e)
		R,P/A	8/1/2004
		775,000.00	8/1/2004
		112,880.00	827,880.00
			Municipality
6	230	0.00	Lawrence County/TN 2003
		R,P/A	2/1/2005
			8/1/2004
		28,441.00	28,441.00
			Municipality
7	161	-408.10	New Market LTD
		R,P/A	2/1/2005
			8/1/2004
		12,885.00	12,885.00
			Municipality
8	127	-365.81	Waynesboro, TN 94
		R,P/A	8/1/2004
		45,000.00	8/1/2004
		6,607.50	51,607.50
			Municipality
9	203	0.00	West Overton UD
		R,P/A	2/1/2005
			8/1/2004
		9,825.00	9,825.00
		248,355.38	1,198,355.38
			Municipality
			TOTAL DUE

Calls and/or Mandatory Redemptions

(a) and (c) above have mandatory principal payments due August 1, 2004 which are reflected in the schedule above.

28.58 Funds Reported in Short-Term Pooled Fund on 6-16-2004 for Municipal Issues.
 0.00 Funds from maturity of Treasury assets to pay Municipal debt service due August 1, 2004.
 1,172,884.00 Amount Due from lender to pay August 1, 2004 debt service.
 1,198,355.38 TOTAL DUE TO BE PAID AUGUST 1, 2004 FOR MUNICIPAL ISSUES
 1,454,478.64 TOTAL DUE TO BE PAID AUGUST 1, 2004 FOR CORPORATE ISSUES
 2,853,834.02 GRAND TOTAL DUE TO BE PAID AUGUST 1, 2004 FOR CORPORATE AND MUNICIPAL ISSUES

*These issues do not have a named trustee

T = TRUSTEE R = REGISTRAR P/A = PAYING AGENT E/A = ESCROW AGENT